

STEPS

MANAGING CHANGE

Banking will never be the same. We are in the midst of one of the most dynamic periods in modern banking. These are anything but ordinary times. Given the turmoil, how do you manage during this period? How do you make sure that you and your bank stay focused in these turbulent times?

It is easy for management teams to get caught up in the uncertainty. Sometimes, it turns into inactivity — just hunker down and do the minimal. Sometimes, it turns into anger — just lash out and put yourself in the victim mode. Sometimes, it turns into unproductive activities that are repeats of old ways. None of these approaches is successful.

I believe that these times can represent a great opportunity to re-think how the industry operates and to rebuild it in new ways. You should look at these times as a period in which you can challenge how you have managed your bank in the past, and what new future you can create for your bank. When things are going well, it can be hard to make change. When things have been tough, you can be more open to change, and may find yourself looking in new places that you might not otherwise have considered.

So lose the old business model and plan. Forget how you always did things and start fresh. The future of banking can be bright, as there are new ways to focus on success. By moving beyond the old criteria, you can find new success measures. And in the end, you may find that these new measures are far superior to the old ones.

Here are eight steps you can take to manage the change in a positive way:

1. Change your attitude

This is important, because so many bankers are mired in all that has gone wrong, and are having difficulty working through their negativity. Before you can truly build a new plan for your bank, you need to think positively about the industry and where it is going.

Sure, things have been tough, and sure there are lots of hurdles, but you need to move beyond that. Banks will continue to be an important part of our economic system, and although they may look different in the future, you can become part of a new future with positive results.

Stop blaming. You can blame the Administration and

Congress, you can blame the regulators, FDIC, Treasury, Fannie/Freddie, Wall Street, the investment bankers and the list goes on. You can even blame yourselves and everyone else in the industry. For sure, there is plenty of blame to go around. But come the end of the day, blaming gets you nowhere.

Stop dreaming about when things were better. That was then and this is now. The industry will never be like it was. Does that mean that the “golden days” are over? Maybe not. Maybe the best is about to come as we work through the crisis and rebuild a stronger and more vibrant banking industry.

Stop hoping that we can get back to the way it was. You cannot. So move on and look forward. The industry will look different, and you can either be a winner or a loser in the new environment. Chose to be a winner, and chose the new success criteria for your bank’s future.

2. Start with a guiding principle

This is critical — you need a mantra, such as “only the most informed and profitable will survive and prosper.” This means that those banks that work from quality and detailed data and information on profitability will be successful, and that a profitability focus should be the driving force for a successful bank, differentiating it from a bank that is not.

In order to manage through these challenging times, banks need to move from a balance sheet and market share focus to a focus that is based on profitability dynamics. When done right, profitability can be sustainable (and not just a flash in the pan), creating a new cadre of highly profitable and sustainable banks. This mantra allows banks to think differently about the future and to see it according to new profitability standards that go beyond the past ones.

Certainly, determine what mantra works for you, and make it the framework under which you go forward. Everything you do as management has to be based on this framework, and like a true mantra, it has to be real and “chanted” on a regular basis. Every activity needs to be assessed in the following way: does this activity further enhance the guiding principle? If yes, go for it; if no, discard.

IN A CHANGING ENVIRONMENT

By Rich Weissman

3. Collect lots of quality data

This is a time to make decisions that are data-based and not gut-based. During times of change, emotions are too high, and it is important to look at solid data. Set up a top-notch database system with the information you need to understand how the bank is doing, what is and is not profitable and what the trends look like. Examine where the bank is doing well, where it is profitable, where profitability is growing, where profitability is sustainable and use these data as a basis for managing forward.

Spend the time to get the data right. Work on the details so you have all of the right information available to you. Then, use the data and refer to it day-in-day-out. By allowing the data from a sophisticated database system to “speak to you,” you separate yourself and your management team from emotional highs and lows and use quality information for decision-making. Managing change means becoming much more focused on objective information, which can often lead you in directions you might not otherwise have seen.

4. Isolate the problems

Ask yourself whether most of management or lots of staff are focusing their jobs and time on the problem areas. If you find that most of the attention of management is on the problems, then that needs to be adjusted. Think about all of the things the bank does well, all of the reasons why customers chose it and all the good things the bank has to offer to become successful going forward.

Separately, think of all of the problem areas. Isolate the problem areas to a limited number of personnel and limited time allocations. In M&A work, it is common to separate the “good” bank from the “bad” bank in an acquisition or takeover. In credit, it is the Special Assets area that handles the “bad” loans.

Use that same thinking of your management during these changing times. Do not destroy the “good” things by having everyone involved in and fully engrossed in the problems. Keep the “bad” isolated in any way you can – physically, by department and by time allocation. Ensure that most staff and most of management’s time are focused on the “good.”

5. Ask the right questions

That is management’s job. Keep asking “why?” You are running a business. Think like a businessperson, and ask all the right business questions:

- What steps can we take to get all of the right information together so that we can look at the data objectively?
- What are we trying to accomplish? How will this affect our profitability? Is this just “at the moment” or is it sustainable?
- Are there opportunities out there that we had not thought of before? Are there profitable markets that we can uncover which others have missed?

6. Start initiatives

Challenging times are the best times to start new initiatives. Do not wait for things to get better. Start now. From your database, find those areas which have the greatest potential for positive success and which align with your guiding principle. Then go for it. Action and new initiatives create new momentum internally and get you moving forward in a positive way.

7. Get help

Often it is hard to see things clearly when you do not look outside of your bank. So get help. Work with providers that have a broader perspective on the industry and may be able to show you new concepts that might not have come internally. Ask for help and be open to outsiders giving you new ideas.

8. Do the “right” thing

This is certainly the optimal time to be thinking about what is the right thing to do. This past era of “whatever” needs to be replaced with a new era of rational analysis coupled with an understanding of the implications relative to doing the “right” thing. Managing change means combining analytics with decency, so ask yourself what the right thing is, and when it makes sense from a business perspective, then do it. ♦

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